

Message Text

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PAGE 01 MEXICO 11911 160108Z

20

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 ABF-01 PA-01 PRS-01 STR-04 /056 W

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R 160003Z SEP 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7423

INFO TRSY WASHDC

C O N F I D E N T I A L MEXICO 11911

E.O. 11652: GDS

TAGS: EFIN, BEXP, MX

SUBJ: PESO FLOTATION: ATMOSPHERICS.

1. SUMMARY: THE "FLOTATION" OF THE PESO REMAINS THE MAJOR TOPIC OF CONVERSATION IN MEXICO CITY AND A FRONT-PAGE STORY. A GENERAL STATE OF CONFUSION PERSISTS, BUT THE "TEMPORARY" FIXING OF THE EXCHANGE RATE LAST SATURDAY NIGHT APPEARS TO HAVE HAD SOME CALMING EFFECT. CONCERN IS NOW FOCUSED ON NEGOTIATIONS UNDER GOVERNMENT AUSPICES FOR A SPECIAL WAGE INCREASE. RUMORS ABOUND. END SUMMARY.

2. TWO WEEKS FOLLOWING THE ANNOUNCEMENT OF THE DECISION, THE "FLOAT" REMAINS A MAJOR TOPIC OF CONVERSATION AND A MAJOR PRESS STORY. THE ECONOMY REMAINS IN A STATE OF GENERAL CONFUSION WITH MANY BUSINESS STILL REFUSING TO BUY (AT INFLATED PRICES) OR SELL (AT PRE-FLOAT PRICES). WHILE THERE ARE REPORTS OF HOARDING, WE DO NOT HAVE ANY EVIDENCE OF ESSENTIALS SUCH AS FOODSTUFFS BEING IN SHORT SUPPLY. SOME NON-ESSENTIALS CANNOT BE PURCHASED. GOVERNMENT AGENTS CONTINUE TO POLICE STORES TO ENSURE THAT OFFICIAL PRICES ARE BEING OBSERVED. APPARENTLY A NUMBER OF BUSINESS ESTABLISHMENTS (PERHAPS 500) HAVE BEEN SHUT DOWN FOR EXCEEDING OFFICIAL PRICES.

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PAGE 02 MEXICO 11911 160108Z

3. NEWS FROM THE WAGE FRONT IS NOT ENCOURAGING. IN

ADDITION TO THE GENERAL LABOR NEGOTIATIONS NOW GOING ON, THE CONGRESS PASSED A RESOLUTION PROVIDING FOR A SPECIAL INCREASE IN THE MINIMUM WAGE, TO BE EFFECTIVE FROM OCTOBER 1 TO DECEMBER 31, WHEN A MINIMUM WAGES COME UP FOR THIS ANNUAL REVIEW. A SPECIAL COMMISSION WILL DETERMINED THE SIZE OF THE INCREASE.

4. RUMOS ABOUT. THE MOST RECENT ARE (A) THE GOVERNMENT IS GOING TO FREZE BANK ACCOUNTS; (B) THE GOVERNMENT IS GOING TO NATIONALIZE THE BANKS; AND (C) THE GOVERNMENT IS GOING TO IMPOSE EXCHANGE CONTROLS. BANKERS ARE OFTEN CITED AS THE SOURCE OF THESE RUMORS. THE FIRST TWO WERE DENIED BY FINANCE MINISTER BETETA PRIOR TO LEAVING ON SEPTEMBER 14 FOR MEXICAN INDEPENDENCE DAY CELEBRATIONS IN LOS ANGELES. BETETA IS GOING TO SPEAK WITH PRIVATE BANKERS WHILE IN CALIFORNIA. THE THIRD RUMOR APPEARS TO HAVE SPREAD ON SEPTEMBER 15, AND MAY REFLECT THE FEAR THAT NATIONAL HOLIDAYS BRING BAD ECONOMIC NEWS.

5. IT IS POSSIBLE THAT THESE RUMORS HAVE STARTED SOME RUNS ON BANKS, BUT WE DO NOT HAVE ANY FIX ON WHAT THIS MIGHT HAVE AMOUNTED TO. WE DO HEAR REPORTS FROM ORDINARY MEXICANS OF CONCERN THAT RISING PRICES AND WAGE INCREASES MIGHT MAKE THE CURRENT RATE UNTENABLE. THIS ATTITUDE PLUS RUMORS COULD REVERSE WHAT IS REPORTEDLY A CAPITAL INFLOW.
THOMPSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, REVALUATIONS, PESO
Control Number: n/a
Copy: SINGLE
Draft Date: 16 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: blochd0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MEXICO11911
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760348-1182
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760954/aaaabtsv.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: blochd0
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2004 by ellisoob>; APPROVED <02 NOV 2004 by blochd0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PESO FLOTATION: ATMOSPHERICS.
TAGS: EFIN, BEXP, MX
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006